

98-84353-11

Sherwood, Isaac R.

Finance, currency

Washington

1874

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332.4		
Z	Sherwood, Isano R	1835-1925.
v 14	Finance, currency; speech in the House of representatives, March 31, 1874...	Washington, 1874.
	19 p. 21 cm.	Office]
Vol. of pamph.		
Only Ed		

[Govt Printing
1874.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 3-2-98

INITIALS: PB

TRACKING #: 31826

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FINANCE-CURRENCY.

S P E E C H

OF

HON. ISAAC R. SHERWOOD,
O F O H I O ,

IN

THE HOUSE OF REPRESENTATIVES,

M A R C H 31, 1874.

There is a proportionate quantity of money requisite to carry on the trade of a country, freely and currently. Want of money in a country reduces the price of that part of its produce which is used in trade. This is another reason why land in such a case will be low, especially where the staple commodity of the country is the immediate produce of the land.—BENJAMIN FRANKLIN.

W A S H I N G T O N :
G O V E R N M E N T P R I N T I N G O F F I C E .
1874.

S P E E C H
O F
H O N . I S A A C R . S H E R W O O D .

The House, having under consideration the bill (H. R. No. 1572) entitled "An act to amend the several acts providing a national currency and to establish free banking, and for other purposes,"

Mr. SHERWOOD said:

Mr. SPEAKER: My constituents need more banking facilities and more money, and my convictions are they ought to have both.

First, let me say, I regard the obligation of the Government to redeem the greenback as binding, and I will vote for no measure to either depreciate the value of the greenback or impair the Government credit.

Congress, in 1869, after the hue and cry of the western democrats for repudiation had somewhat subsided, passed an act to strengthen the public credit. This act binds the Government to redeem the greenbacks at the earliest moment practicable.

At present specie redemption is not practicable. It is not even possible. The people, who own the greenbacks, and who are the sole judges of the question of practicability, do not *demand* it now. The greenback is more popular than ever before, and it holds its value uniformly and amid all the clamors of all its detractors.

Upon all questions affecting the value of money legislation should be conservative. All legislation which disturbs existing values is immoral.

Resumption means contraction, with an inevitable depression of all values. This, at a time of general depression, would be scarcely less than criminal. It would bankrupt one-half the business men of the West and work outrageous injustice to the entire debtor class of the country. I represent a people who claim that the only safe line of conduct is to depreciate the value of the dollars we have agreed to pay and decreases our chances of earning them. Scarce money and high interest will ruin us. We want cheap interest and easy credits. This stimulates industry, improves the opportunities of those who labor, and hardens our business muscle.

I represent a people whose wealth is to be realized, not by loaning acquired capital, but by developing our resources; a large agricultural constituency that has not yet reached its maximum development, and a class of people who have a right to a share of the wealth of all the elements of wealth. We want low taxes and cheap credits.

The Government can carry our obligations for 5 and 6 per cent. We cannot assume our share of these obligations less than 10 and 12 per cent. Our policy, therefore, is to let the Government carry our obligations until we become stronger, and give us the benefit of this 4 and 5 per cent. profit. We have tried to pay our debt too rapidly. The people of all sections need rest.

LIMITED FREE BANKING RECOMMENDED.

In providing for increased circulation to accommodate the West and South, I am willing to vote for a clause in this bill fixing a maximum for national-bank circulation, and also to limit said increase to sections lacking their quota of circulation.

The Representatives of the West, I am confident, would consent to make some Eastern State—New York, for instance—the standard for national-bank circulation. The money-lending is limited to sections having less than the New York standard, eastern capital seeking profitable investment will be largely drawn to the West and South and invested in banks. I am therefore under conviction that such a measure would afford as prompt and satisfactory relief to the West and South as unlimited free banking. The East, being abundantly supplied with banks, capital, and currency, fears an era of unwholesome speculation from unlimited free banking. For one, I am willing to concede something to this conviction, and, if opportunity is offered, vote to place such restrictions in the bill as will be under consideration. But with those Representatives who advocate contraction and specie payments as a solution of ourills I take direct issue.

THE INJUSTICE OF CONTRACTION ILLUSTRATED.

Let me illustrate the injustice of contraction.

In May, 1863, I borrow of a money-lender in Hartford, Connecticut, one thousand greenback dollars, payable in five years, at 10 per cent. interest. This so-called \$1,000 note is worth to-day it was borrowed \$689 in gold. Suppose my payments are resumed, and in May, 1874, when my note is due, the value of the dollars I borrowed have increased to \$1,050, and beside paying my 10 per cent. interest in gold or its equivalent, I am also compelled to pay this Connecticut money-lender \$311, in gold, for which I have received no value whatever. Do I pay this money justly, or am I cheated by a trick in legislation? Or say that a greenback dollar is worth 90 cents in gold to-day, and I borrow one thousand of these dollars at 10 per cent. In the mean time specie payments are resumed, and next April, when my note is due, I am compelled to pay \$1,100 in gold value for the use of nine hundred dollars. I am thus swindled out of one hundred, principal, and \$10 interest. That is, I have paid \$200 for the use of \$900 one year, or over 22 per cent.

These cases illustrate the injustice the contractionists would perpetrate upon the entire debtor class of the country. There is no system of business morals or political economy that can justify the defend such a policy. It will not even occur to argue in justification that the credit class was robbed by the loan-tender act when the law was passed. This was a law of necessity, and only defended as a war measure. There is no code of ethics by which the borrower of a gold dollar discharges his moral obligations by paying in a greenback worth 50 cents. The credit class was robbed in 1832, 1833, 1834, and 1835, through the necessities of war, but what can be the pretense to rob the debtor class in 1874, 1875, and 1876?

Nearly every city, town, and corporation in Ohio have contracted debts and negotiated bonds upon a depreciated currency. To elevate the standard of value now would largely increase these obligations.

Measured by its effects, elevating a depreciated currency is more immoral than depreciating it, because the loss in the first instance falls upon those able to bear it, while in the latter case it strikes down the struggling classes, and by paralyzing trade and manufac-

ture, causes suffering to the laboring poor. The rights of both classes, debtor and credit, are sacred; and Congress has no moral right to increase the obligations of one or impair the obligations of the other.

FREE BANKING INQUIRED.

A national free-banking law, with proper guards and checks, cannot decrease the value of the greenbacks. The Government debt is not increased, nor are additional obligations incurred, by the issue of currency based upon Government bonds already sold.

Again, the money circulation of this country should be divorced as far as possible from the control of a political majority in Congress.

The question of the value of a dollar should not be debated on the stump and decided anew with every ballot. The bill-holder being secured and the value of a dollar fixed, the money supply should be regulated by the immutable laws of trade. Agriculture, commerce, and manufacture should each be the sole judges of its moneyed necessities.

THE GREENBACK THEORY DISCUSSED.

Many practical and experienced financiers are of opinion that the Government should avail itself of the profits of circulation, and that the regular greenback should supplant the national bank note, making one uniform currency. This is a fascinating theory. It is proposed to take up the three hundred and fifty-four million national-bank notes, issue an equal amount of legal-tenders, and with these notes go into the market and buy Government bonds. This, it is claimed, will reduce the interest on our public debt eighteen millions per year. This apparent saving, however, is somewhat delusive.

The present tax on the circulation of the national banks of 1 per cent. and $\frac{1}{2}$ of 1 per cent. on deposits, and $\frac{1}{2}$ of 1 per cent. on capital stock, is a heavy tax. On the other hand, the Government about \$7,000,000 yearly, and State taxation, not far from ten millions more, or an aggregate of nearly if not quite seventeen millions. If there are inequalities in the present system, let us regulate that by legislation. But I am thoroughly fortified in the conviction that it is better economy to allow the bankers of the country to do the banking for the people than to establish a monopoly of banking at the national capital. I believe sections now demanding more currency can be better accommodated locally by banks than by a central system; and the amount of currency needed can be better determined and more safely regulated by the demands of business than by a political majority in Congress.

OUR MONETARY SYSTEM DISCUSSED.

Much is read and said here by those who desire a contraction of the currency about our gross violation of the laws of political economy. Let us examine this matter with due deference.

The Government of the United States has undertaken the critical duty of being the banker to the people of the whole. It is, by imposing excessive taxes upon State banks, driven them out of existence, and to-day the money supply of this country is a monopoly.

For the past five years we have been increasing and extending the business of the country with marvelous rapidity; at the same time we have been withdrawing our money supply. This precipitated a panic, with immense loss of property and general paralyzation of trade.

Now, what is the remedy? I believe it lies in supplying the element, the lack of which produced the panic. Others argue that a continuance of the cause which produced the panic will work its cure.

Here we join issue. Bleeding is not prescribed by physicians for debility in the patient caused by the loss of blood. The money circulation of a country is like the blood circulation of the individual. In order to promote a wholesome life and a healthful activity, it must not only be sufficient in quality and quantity, but it must permeate and penetrate the remotest extremities of being.

THE FUNCTIONS OF MONEY.

What is this vital element called money, and what are its functions? Money is but a generalized agent for the exchange of values. Its potential requisites are: first, absolute solvency; second, universal recognition of its value. Our present currency is solvent. It has the complete confidence of the entire business world; but it is not completely diffused, nor is it sufficient in volume to perform all its functions.

INEQUALITIES OF OUR SYSTEM.

Look at our condition in the West. Ohio is not the worst sufferer, and yet the lack of currency there is most seriously felt. We have credit, capital, sufficient agricultural resources, immense mineral deposits of coal and iron, central location, with markets in every direction, yet we have not adequate banking facilities. Our State banks are taxed out of existence. The General Government declines to aid us, and we are in the grasp of a money monopoly.

I have now letters from parties in Toledo, acity that is in need of more banks, asking me to secure them currency from a national bank. The Government bonds are ready to buy, and these bonds are worth more than their face value in gold in all the markets of this country and Europe; and yet this currency cannot be supplied even at the rate of 90 per cent. I applied to the Comptroller of the Currency to secure some currency from national banks that have wound up; but this currency cannot be had. It is in the hands of New York brokers, and is offered at 5 per cent. premium.

Now, suppose my Toledo friends, having read the able arguments delivered here upon the evils of the present system, desire to bank on a gold basis. They therefore sell their bonds for gold, and attempt to bank under the laws of Ohio. Here comes your 10 per cent. tax and drives them out of the field. My constituents are therefore practically prohibited from banking under either State or national laws. Their only privilege is to borrow money of eastern money-lenders at exorbitant rates of interest, which they are now doing. They are compelled to contribute a large share of the profits of their business to eastern capitalists.

There is no defense for such a system as this. It is an outrageous oppression. The Eastern States have an excess of circulation of national bank money, of over \$8,000,000. Ohio has a deficiency of \$1,344,455, and Illinois a deficiency of \$6,331,221; Massachusetts alone has an excess of \$10,000,000; and even the little State of Rhode Island has an excess of \$10,635,793. The city of Providence, Rhode Island, has a national bank circulation of \$9,433,710; while the city of Toledo, Ohio, a city with an immense jobbing trade and a great commercial mart, has but \$1,337,400. Hartford, Connecticut, a city with 37,130 inhabitants, owns \$4,435,700 of national bank circulation; while Milwaukee, the metropolis of Wisconsin, with over 71,000 population, has only \$611,500. The little town of Fall River, Massachusetts, has nearly two millions of this circulation, while Lawrence, Kansas, has but \$13,500.

Take two States, Ohio and Connecticut. Ohio is only authorized

to issue \$30,518,943 of this currency, Connecticut issues \$33,047,632; and yet Ohio has three times the property and five times the population of Connecticut. I submit a comparison, as shown by the census of 1870:

Items.	Connecticut.	Ohio.
Population	537,454	2,665,900
Engaged in agriculture	43,963	397,024
In trade and transportation	94,720	78,547
Mechanical and mining	86,344	197,101
Professional and personal	39,194	136,368
Valuation of property	\$747,631,524	\$2,225,430,360
Fixation	\$6,061,843	\$25,530,548

The six New England States, with a population of 3,457,924, with a property valuation of \$4,002,753,247, have a circulation of \$110,459,966, while the twenty-three Western and Southern States, with a population of 24,217,341, with a property valuation of \$12,770,112,653, have a circulation of only \$1,000,000.

The Representatives of western constituencies who advocate the equitable rights of their section are denounced as repudiators, or as too ignorant to comprehend the complex science of finance.

PUBLIC SENTIMENT IN OHIO.

It is claimed also that public sentiment, even in the West, is against more currency. I venture the opinion that four-fifths of all the active business men of Ohio favor more currency. I am confident such is the case in Northwestern Ohio, my own section.

During the progress of this debate all history has been ransacked by contractionists for evidence to justify their positions. All the obscure pamphlets of the last century, whose works have drifted down through generations to the Congressional Library have been quoted, cited, and deciphered, and brought to the front. I have no objection to this resurrection of these dead voices; but in the light of the experience, knowledge, genius, and practical statesmanship of to-day, why should we seek oracles of obscure tombstones?

We have learned something of transportation since Moses traveled for forty years in the wilderness. We have learned something of electricity since Franklin touched the womb of the lightning, and I believe we have learned something of government and finance since George III. and Adam Smith.

McCullough, in his able contribution to the *Encyclopaedia Britannica*, in speaking of Adam Smith, and other writers so often quoted here, says:

The opinions and theories of the eminent professors who have written on political economy have impeded the progress of the science, and created a popular distrust of its established conclusions.

Serene in the consciousness of this distrust, I desire to present the views of the living practical financiers of my own State.

First, I submit a letter from one of the most successful business men in Ohio, a gentleman who has done more than any other man to develop the iron and coal industries of the State; a gentleman who has never read Ricardo or Adam Smith, but who has absorbed some very sound political economy in a long and successful business career:

YOUNGSTOWN, OHIO, March 7, 1874.

DEAR SIR: I think common sense and business principles will apply to the management of the national affairs as it would to a man's own business operations.

In the first place, the present generation have been taxed heavily to put down the rebellion; they should not be taxed to pay the present debt.

Let the Government fund the debt long loan fifty to sixty years at 4 to 5 per cent. Give it when we have increased in population, to an extent that I do not know. Give it as a free-banking law. The people are not only talking about railroad monopolies, there are no monopolies in this country equal to the present banking monopoly.

What have the specie few done that the Government should bestow extraneously? They have upon these men, keep them safe, pay them the interest upon these, and then give them 90 per cent of circulation to loan the business community at high interest? Money is too scarce and dear for business purposes. Money is not worth more than 6 to 7 per cent. We want cheap money, not pauper labor.

If I can make more or am better satisfied to bank than to mine coal or make pig-iron, I want the Government to extend to me the privilege they do to my neighbors, on the same basis, with the same restrictions.

I believe the low rate of interest bonds, convertible when the holder wanted to use money for a special purpose, would work well. Since five four million negroes have been freed, and have to be paid for their labor, and large amounts of money are required to do their business operations.

We have seventy thousand mines of coal as against twenty thousand a few years ago. The value of these ten to fifteen millions within a few years, are mining four times as much coal, and making four times as much iron.

The seven thousand miles of railroad are alive with people with a large amount of money in their pockets to be spent.

Now, what are we asked to do? Simply this: with large increase and growing business, to manage proportionately with less and less capital. We must have had a few years ago. It is only natural that as and ever, as the business increases, we should have more money in proportion to growth of business and population. Money may be plenty in New York, but it is not in Ohio. Our manufacturers and mining are paralyzed.

Given us more and more money and our own market, that we may live within ourselves for a few years, and we will be able to pay the debt and not feel it.

Yours, very respectfully,

C. H. ANDREWS.

General J. R. SHERWOOD,
Washington, D. C.

Also, a letter from the editor of the Western Reserve Chronicle, one of the oldest and ablest papers of the Connecticut Reserve of Ohio, supplemented with some comments by the Cleveland Herald, referred to this for two reasons: first, to indicate popular feeling in the richest and most densely populated portion of the State; secondly, to show Connecticut theorists how their brothers "to the hammer horn" expand and develop and liberalize when transplanted to the broad hill-tops and inviting valleys of Ohio:

WARREN, OHIO, February 14, 1874.

DEAR FRIEND: I hear of no one demanding or desiring a paper, save bankers, bondholders, and perhaps persons in law, who hope to come to enrich themselves by the shrinkage of values resulting from recession and contraction. I think the general desire of the producing, manufacturing, mercantile, and ordinary business classes is to moderate rather than less of the present and coming depression. The coming issue of a favorably commented on by the Cleveland Herald of a recent date, reflects the sentiment of this region. I submit it to you as giving in my opinion a fair reflex of the mind of a large majority of the people of Ohio.

WILLIAM RITEZEL.

Hon. I. R. SHERWOOD,
Washington, D. C.

The following is the article from the Cleveland Herald, referred to by Mr. Ritezel:

The Specie Hobby.—Under that head the Warren (Trumbull County) Chronicle holds a very sensible editor, with his readers, a talk that should be overheard in Congress. Great commercial centers, so called, have more influence at Washington than their relative importance entitles them to, and much more influence than their measure of sound, practical, business common sense entitles them to. The men at these great centers are apt to create interest in a small amount of stock market news in the country, while the visions of such men are very narrow and their ideas of cause and effect extend only to the curb-stone of their own stock market. The Chronicle says:

"Senators and Representatives with whom specie payment is a specialty mislead public sentiment, if in their efforts to contract our circulating medium they imagine that the people are in the least out of patience because Congress does not proceed to fulfill their promises to the people to make greater reliance possible in our currency. The observer with a moderate degree of tact, some of our law-makers cling to financial theories exploded by the test of practical experience. These gentlemen appear to think that there is some occult, omnipotent virtue in a specie dollar for which the people are humanly too stupid and blind to perceive, with all the power of reason. Probably if Congress mingled more with the masses, to learn their views and ascertain the popular demands and necessities, instead of consulting almost exclusively with bankers and bondholders, and importers of foreign specie, they would more truly represent their constituents on that important question than they do."

The Chronicle then briefly reviews the last few years, and points to the fact of our unimpeded prosperity under the legal tender system, and that feature of that system was soon overthrown as it demonstrated its inefficacy.

"The fact is that the people perfectly satisfied with the specie currency, and do not desire the introduction of a paper or a contraction of circulating medium. We are without fear of successful contradiction that a petition in favor of a reasonable increase of currency or greenbacks can be circulated through General Assembly enough to be passed, and that the people of the north of the nation are too disposed to be more especially represented by Senator SHERMAN and ninety-nine hundredths of the people will petition for more greenbacks."

We believe we speak right from the mouth and hearts of the people, and reflect the views of the great mass of the trading, and producing classes generally, who are the bone and sinew of the country."

ELEMENTS INVOLVED IN FIXING VOLUME OF CURRENCY.

The demands of currency are regulated, first, by the character and amount of business transactions; secondly, by the average earnings *per capita* of the producing classes; thirdly, by the solidity or density of population.

To the first proposition it can be plead that the people of this country, in proportion to population, average more general employment than those of either France, Germany, or England. We have fewer paupers, fewer criminals, fewer non-producers, and no large standing armies. The average earnings *per capita* are more than double those of either England, France, or the German Empire. In density of population we have an average of two hundred and seventy-two persons to the square mile, while England has about five thousand, the German Empire over four thousand, and France over three thousand. It is evident that the less densely populated regions and sections require more and more currency *per capita* than regions densely populated. This is a self-evident proposition.

The statement that our currency is excessive as compared with other leading nations is found to be erroneous.

The following table, showing the total currency volume in England, Germany, France, and the United States, throws a flood of light upon this statement:

Total currency volume of the United States	\$50,000,000
Less gold and paper reserves	280,000,000
Total actual circulation	659,000,000
Less reserves	16,72
Total currency volume of England	\$84,943,000
Less reserves	112,259,000
Total actual circulation	773,654,000
Circulation <i>per capita</i>	24.28
Total currency volume of Germany	1,296,000,000
Less reserves	305,000,000
Total actual circulation	1,091,000,000
Circulation <i>per capita</i>	26.80

Total currency volume of France.....	\$1,650,000,000
Less gold and silver reserve in bank.....	540,000,000
Total actual circulation.....	1,110,000,000
Circulation <i>per capita</i>	34 72

It is seen that our currency is eight dollars *per capita* less than England, ten dollars less than Germany, and eighteen dollars less than France.

RESUMPTION NOT PRACTICABLE NOW.

I desire to call the attention of the contractionists who think gold is now cheap enough to resume to an editorial in the London *Economist* of October last. When this article was written gold was at a premium of 10 per cent.

We know by experience how that premium may be effaced. If no more greenbacks are issued, the augmenting trade of the country will itself raise the value of the dollar, and bring it down to its natural price. Contracting a large trade with an identical currency is the same as conducting an equal trade with a diminished currency. In both cases there is dearer money; that is, a high rate of interest. The man who borrows a dollar at 10 per cent. must pay interest, pay interest and have less for what they sell, and the consequent suffering to trade is always considerable. It can be borne by America, we know, for she has already borne it; she has already reduced the value of her gold by a large amount that she can afford to reduce, but the time has not yet come when *gold* *is great in part in consequence of it*. Nor are our second or third conditions satisfied. The store of gold now held by the American Government is altogether inadequate to meet the demands of payment. The time is not far distant when judgment be still further reduced before specie payments can be safely commenced.

Let one book economist who fortifies themselves with English authority in financial digest the three objections just presented, and the reader will see that the contractionists *it is* rather than *can* it ought to be, and they will discover that their theories have no application now, and that their principles have neither basis nor vitality. The greenback must remain our only currency until increased prosperity and renewed national life with enlarged revenues shall have enabled us to cancel our foreign indebtedness, and the flow of the precious metals shall be *to us* and not from us. This is the work of time under the most prosperous days and wholesome laws. At present, with our industries crippled, our trade paralyzed, and so much labor unemployed, the first business should be to restore confidence.

Hon. Amasa Walker has sent some Boston logic to the president of the Illinois State grange, repeating the oft-exploded theory that it is the farmers of the West who are suffering most by the so-called inflated or depreciated currency. Mr. Walker recapitulates how the farmers suffer, as follows:

First. From the low or gold prices of their own products, and the high or currency products of all other commodities.

Second. By the larger profits and higher taxes they are compelled to pay.

For all these there is no remedy but the restoration of the standard of value by a return to specie payments.

This Massachusetts book economist is completely refuted by the practical Massachusetts financier who now occupies a seat in the Senate. I quote from Mr. BOUTWELL's speech on finance delivered in the Senate January 22, 1874:

I mean to say, that the business of the country be so depreciated, and if it be held so low for so long a time that the business of the country, the prices of labor, and the products of labor shall have become accommodated to the existing condition of things, then these are no substantial evils. * * * The proposition is, that in consequence of a depreciated currency, the farmers of the West, whose products in whole or in part are exported to foreign countries, where

the currency is coin, are in a worse condition relatively than they would be if the currency of this country were coin. * * * If, as an example, you consider wheat, which is a great product of the West, and as also, as a fundamental proposition in regard to its price, that it never be less than gold in this country than in the United States, less the costs and profits of transportation. If that be so, then the price of a bushel of wheat at Saint Louis, measured in coin, the currency of England, is less than the price measured in gold. The price of a bushel of wheat, measured in coin, is entirely independent of the fact as to the depreciation of our own currency. For our own present purpose we deal in the currency of the world, and if wheat be worth fifty pence a bushel in Liverpool and the cost of transporting it to Liverpool is twenty pence, it is worth forty pence in coin at Saint Louis, and it is worth that because a party in Saint Louis can send it to Liverpool and can get his coin in Liverpool, and after paying all expenses he will have forty pence in hand for his bushel of wheat.

Now, if the man who has a bushel of sugar or coffee in return, he can buy his sugar or his coffee with coin in the markets of exportation; and if that man paid a price of sugar in coin laid down in Saint Louis, brought from Liverpool and paid in coin, is ten cents, then the man who buys it has paid for his product exported and the necessary cost of life imported, and that upon a coin basis. * * * To what the man sells, measured in coin, is added in currency the difference between coin and currency in commercial value, and to what he buys is added the difference between coin and currency in their commercial value; and he neither loses nor gains by the process.

The argument of the eruditely Walker can be answered briefly. If the farmer sells his grain for gold on a gold basis, of course he realizes gold or gold value. If he buys his goods on a depreciated paper at an enhanced price because of the depreciated paper, he realizes the difference in price by the premium on his gold before he makes his purchases.

But the argument of the so-called political economists we are led to believe that the legitimate market for the surplus products of the western farmer is England, and that he is dependent for his articles of consumption upon the importers. It can be demonstrated that a comparatively small portion of the grain crop of the West finds its way to English mouths, and articles imported are principally luxuries not consumed by western farmers.

Statistical tables show Great Britain raises five-eighths of all the grain she consumes, leaving three-eighths to be drawn from foreign soil. What proportion of this three-eighths is supplied by the United States? It is stated by competent authority that our grain export for 1872 was the largest in the decade. In that year we exported to Great Britain in wheat, rye, oats, and barley 26,343,951 bushels. The shortage of the grain crop in Great Britain that year was 1,600,000 bushels. Thus it will be seen that we supplied England with about 14 per cent. of her shortage.

The grain crop in 1872 was over 150,000,000 bushels, or sufficient to supply the entire export trade to Great Britain for six years; and Ohio is not the greatest grain-producing State.

The aggregate grain crop of the grain-growing States in 1872 was 17,777,847,600 bushels. But 26,000,000 of this immense product was sold for the coveted British gold, or less than 1½ per cent. When we consider these statistics we are better prepared to estimate the absurdity of the assumption that the farmers of the West are dependent upon Great Britain, either to make a market or fix the market price.

If the price of wheat in the West is regulated by the price in Liverpool, as the book economists all teach us, how is it that last August, when wheat in Chicago from the 6th to the 26th of September fell 30 cents *per bushel*, the price of wheat in Liverpool advanced during the same period, to wit, from 12s. 10d. to 12s. 6d. per hundred-weight, September 6 to 12s. 7d. to 12s. 9d. per hundred-weight September 26.

As these statistics, drawn from the market reports, fail to fortify the theory of the book economists, I may be allowed to say that it was probably owing to the fact that the greenback, which serves the admirable purpose of moving the crops, was locked up in the vaults of the panic-stricken banks of New York. It was owing to our cast-iron system of finance that could not convert a gold bond into a currency promise, even if the holder from bankruptcy.

By the failure to secure greenback currency to the grain market before close of navigation the farmers of the West suffered a loss greater than the value of the entire grain export to Great Britain. The bulk of the western grain crop of 1873 was marketed below the cost of production. The high rates of interest paid yearly by western grain buyers to eastern banks for currency is so much deducted from the price of grain. This is the farmer's forced contribution to the eastern money market.

Here I desire to quote from a petition sent to the Senate and House by 200 business men of New York, and presented in the Senate by Senator LOGAN on the 17th of March:

The experience of the last few years, especially in the fall, when the agricultural products of the year must be marketed, has demonstrated that there is but sufficient currency to do the legitimate business of the country. Hence there has been a steady decline in the value of grain, and a general alarm, by which money-lenders have been able to profit for we have months to wait of 4 to 4 1/2 per cent. per day, and in extreme cases even as high as 2 per cent. per month. This has created a general famine by locking up grain, to aggravate the difficulty, and thus command their own terms, not a few of whom are now asking you honorable body to contract the currency that they may more easily sell their grain.

These causes produced the late disastrous and ruinous panic, which will undoubtedly be reproduced with still more devastating effects unless relief is afforded. We earnestly pray you to provide, first, that the volume of the currency be increased, especially the legal-tenders, and that provision of elasticity be made, so that business may again be safely resumed.

Western farmers will not be lummoxed with the idea that contraction and more squeezing is what they need. Neither will they be deluded by the ingenious sophistries of those learned economists, on the beauties of selling high at home and buying cheap abroad.

POLITICAL ECONOMISTS REVIEWED.

If we admit that the eminent scholars and patrons of English nobility, who have fortified the English system with their speculations, thoroughly understood the subject of finance, we have but one duty to perform: bend all the energies of legislation to secure to the world the common to say to every emaciated greenback "Thy redeemer liveth."

But while recognizing the fact that political economy is a science, we do not thereby admit that the celebrated Englishmen thoroughly understood it. Political economy is the science of the laws that regulate the production, distribution, and consumption of the products of industry, called wealth. Political economy is not the science of speculation, but of fact and experiment. The political economy of the books assumes that no medium for the exchange of commodities or services can be found, but some substance which of itself has value. It is argued that the greenback is a mere promise to pay money; that it only represents debt.

A distinguished Senator defines a greenback to be

A mendicant, which the Government apters from its creditors in times of peace, simply by assuring them that when they meet a creditor they may in turn transfer the mendicant upon him.

John Stuart Mill says:

"Paper currency is not money, because it is not a legal tender and does not close transactions."

The same author, in the same chapter, says:

"Bills of exchange and checks circulate as money and perform all the functions of money."

These are remarkable distinctions without a difference.

The paper currency described by Mill is based upon the assumption that the holder of the note can obtain the gold by presenting it at the bank of issue; the bill of exchange assumes that the holder may obtain the gold by presenting it where payable. And yet, according to Mill, the one performs all the functions of money, and the other does not.

Amasa Walker, in his *Wealth of Nations*, says:

"Our legal-tender money transfers debts, but cannot pay them. The creditor may accept the promises of the Government in place of that of an individual, but he receives no value."

Mann, in his admirable work on *Paper Money*, says this statement is erroneous, in that recognizing the virtual nature of such notes are as money as gold in the United States as gold in other countries."

Money derives its force from common consent. If men or governments choose to coin credits instead of gold, and this credit performs all the functions of money, it is as potent to discharge debt and to produce wealth as coined gold. The same remarkable Walker, just referred to, puts a perfect nightmare of statistics into column to prove that when money is plenty interest is high. Consequently scarce money means cheap interest. On this theory a short apparel crop means cheap interest. The same chapter contains the following passage:

"If the growers can only be made to see it, the true solution of the cheap transportation problem is to make a bonfire of about half the freight-cars on our railroads, thereby reducing the freight tariff 50 per cent."

Whether we denounce the greenback as a mendicant or renounce it as a dishonored promise, it was a potent element in war, and is to-day the great mainspring moving all the machinery of Government. As an element of civilization, it is a right and proper one. Other elements in the world still abide by which the affairs of men and nations may be conducted. And it is bound to stay with us in defiance of all the economies of all the Englishmen. Our own country, in war and peace, for the past ten years has been conducted in defiance of every principle of military strategy and political economy laid down by the books. In war the most successful and brilliant military achievements were in direct violation of all military book strategy. Grant's campaign against Vicksburg, and Sherman's campaign from Rocky Face to the sea, were conducted in defiance of the books. In peace we have been operating under an exclusive paper currency and depreciated at that. This, according to the books, is fatal. We have been operating under a protective tariff, which, according to the English economists, is fatal; and yet we have flourished under both.

After Grant had taken Vicksburg, and "Sherman had marched to the sea," after the iron-clad Monitor had met the Merrimac in Hampton Roads, what were all the books on military and naval strategy worth? And to-day, after ten years of substantial and healthful growth in invention, in manufactures, in material wealth, in population, in moral grandeur, what do all the books of all the Englishmen amount to?

The Declaration of Independence was not written in accordance with English precedent; and when the young Republic was started, as a feeble contribution to a new system of political economy, there was no celebrated Englishman to give it a send-off, or a god-send, with a book. And to-day, with nearly a century of successful history behind us—a century born the year Adam Smith sent into the world his *Wealth of Nations*—how marvelous it is that not one Englishman has forthtold the Republic with a book. And yet we have not seriously felt the loss.

INCONSISTENCY OF THE CONTRACTIONISTS.

By the way, how is it that the political economists on this floor and elsewhere, who are for nothing but gold dollars, are also for a protective tariff? The celebrated Englishmen who have furnished so many ready-made economies are much clearer and stronger on the free-trade doctrine than on the functions of money and the science of finance. How is it that this concentration of English brain for one hundred years, demonstrating the fallacy of protection has failed to carry conviction, while the many loose and disjointed dissections on the theory of money have made such an overwhelming conviction? It seems to me the argument for contraction is only forthtold by the interest of a section, and does not embrace the theory of the greatest good for all sections.

WHAT PAPER MONEY HAS DONE.

The past ten years, during which we have violated so much political economy, has been the most prosperous decade in our brief century of history. In these ten years—nearly one-half of which were desolate with the havoc of civil war—the aggregate wealth of the country has almost doubled.

By the *Federal census* of 1860 we were worth in round numbers a trifle over \$10,000,000,000; in 1870 we were worth over \$30,000,000,000. In the same period we made over 60 per cent, our manufacturing capital over 100 per cent, and the value of manufactured articles over 140 per cent. All this, notwithstanding the immense destruction of property by civil war, valued at eight thousand millions, slave property valued at twelve hundred millions, the killing and maiming of a million men, the payment for an average period of three years of over one million men—not to produce wealth, but to destroy it—the payment of immense bounties and pensions, paying the interest on our bonded debt, paying over three hundred and fifty millions of dollars in interest on our debts, a new nation was ever taxed before. The result is as marvelous as it is magnificent.

What is the secret of this, the grandest contrubution thus far in the history of civilization to that great science of political economy? The secret is this. We are a nation of immense resources. The Government has extended to all her children her generous credit. With this credit the genius, the wonderful activity, and the invincible energy of the American people have had full swing. With this credit we have dug coal, smelted iron ores, fashioned the steel, fashioned the iron, built ships, built railroads, populated the land with thriving and busy industries. With this credit we have corduroyed the land with railroads, made populous States of prairies and forests, and empires of States. This progress has been healthful, this development has been substantial, this wealth is tangible. It has been an era of universal prosperity. And yet we have not had, except in the Pacific States, a dollar of gold, the so-called currency of the world, in circulation. The greenback, now so fiercely denounced upon this floor and elsewhere, was our only currency.

How could we grow so in defiance of all the theories of all the Englishmen who have incubated so laboriously so many political economies? How dare we prosper so in the face of the great fact that gold, the only measure of value, had left the young Republic like a coward, and hid its face for an entire decade among the clouds?

All the political economists say that paper money is always depreciates in value, and yet our currency is worth more to-day in the mind of man than ever before. All the political economists say that a paper currency once issued, the tendency to inflation cannot be restrained; and yet from 1843 we have reduced the volume of our currency over four hundred millions.

PAPER MONEY OF REVOLUTIONARY GOVERNMENTS.

The French *assignats*, the continental money of the Revolution, and confederate scrip, are cited as evidence that money issued upon credit must eventually collapse. The French *assignats*, issued upon the confiscated property of the church, were the offspring of the French revolution. They depreciated when the Austrian and Prussian veterans prepared to cross the French frontier; and when England joined the alliance, of course they were depreciated. The continental money of the American Revolution was born of necessity, and utterly failed because it was fortified with no central government, and represented no property. The confederate money never promised to pay anything until six months after the treaty of peace, and the treaty of peace has not yet been signed.

The John Law schemes and the South Sea Island bubbles that are injected into this discussion to illustrate the ultimate collapse of our greenback currency, are not even respectable scarecrows.

The greenback is fortified by all the power of a strong central Government, and its redemption is pledged by the united property and resources of forty million people with over thirty billions of realized wealth. The greenback has been the most potent element in the march of empire, and the voice that seeks to dishonor it is inspired by the sordid greed of those who would speculate upon the misfortunes of their countrymen.

The abuses to which paper money has been subjected in times past by revolutionary and unstable governments is brought forward now as an argument against the greenback. But the issue of paper money is liable to abuse, is not a common objection to our system. The power of the people to sue the laws through Congress often leads to unwholesome legislation; yet this is no valid argument against a republic.

MONEY PANICS CONSIDERED.

If there had never been a money panic before the advent of the "greenback" the present howl and scowl of the book economists would be better heeded.

Adam Smith, in his *Wealth of Nations*, in commanding a system of banking based upon gold, says of the Bank of Amsterdam, which failed soon after the book was published:

At Amsterdam a point of faith is better established than that for every guilder circulates and maintains a corresponding guilder of gold or silver to be found in the treasures of the bank.

When Adam Smith wrote this the bank which he commended, and whose system of political economy he indorsed, had been in a bankrupt condition for fifty years. The deposits of the bank in 1775, four years before it failed, and at the time Adam Smith wrote, amounted to thirty-five millions and its annual business was four thousand millions.

If Adam Smith were living in this age of newspaper audacity, and had ever commended Jay Cooke's system of banks, whose failure has not entailed a tithe of the loss and suffering entailed by the failure of the Bank of Amsterdam, he would now be quoted as a profound scoundrel rather than a prophet, and take the rank of a political economist. There were no bank failures in this country under the old system, based upon gold; bank-note reporters could record, and the power to detect wild-cat and counterfeit money was an important feature in a business man's education; and there was never a decade without a panic.

ENGLAND'S SYSTEM DISCUSSED.

The English system of finance is held up here by the contractionists as a model. And yet England had panics in 1784, in 1793, in 1810, in 1819, in 1825, in 1837, in 1847, in 1857, in 1863, in 1872, in 1878, in 1886. There is no fair criterion to compare the stability of England with England is a commercial nation, a debtor nation. The wealth of England is centralized, ours is hidden in soil and mine, and is to be developed. England has been full of gold for two centuries, and is constantly augmenting her supply from Australia, South America, and the United States; we are constantly parting with our already meager supply to pay our debts.

Until recently England made iron for half the world, and for nearly a century she enjoyed almost a monopoly in that industry. During all the period of her world power, from 1597 to 1815, England presented the center of the seas, and during all that time she supplied the continent of Europe with her manufactured articles. We must not forget that about this time science and engineering were just coming to the front, with the steam-engine, the spinning-jenny, and the power-loom. These inventions, so successfully applied, gave England a mastery over all the nations of the Continent that defied both fate and fortune. She had within her reach the raw cotton of America, the flax of Russia, the sugar and cotton of the West Indies, and the rich commerce of the Orient. She had her American, her African, her Australian, her Asiatic empires, all contributing their tribute, all pouring gold and treasures into her lap.

Mark the contrast between England in 1819 and our own country now. During the last decade our gold supply has been rapidly depreciating. During the decade from 1863 to 1872 we have exported \$636,752,273 in gold and silver, and imported but \$169,709,492. With seven hundred and fifty millions of paper money and about one hundred and forty millions of gold in the country, the proposition to resume in times of general plenty would be impolitic. To attempt to do it in a panic, is criminal folly.

The wise men of the East who are for specie payments now or nothing, claim that a demand for gold here will draw gold from other nations, and that, if necessary, we can realize gold from the sale of Government bonds. Two bills have been introduced in the Senate, proposing that the Government borrow gold in the markets of the world to redeem our greenbacks. The advocates of this remarkable scheme are reminded by Senator BOURNEWELL, that it is entirely impracticable. I quote from a late speech of that Senator:

"When the negotiations were going on in London for the loan of the largest amount of United States bonds that ever had been at one time, it was foreseen by the wise men that a quantity of coin would accumulate as the proceeds of these bonds to the credit of the United States. As a matter of fact there was an accumulation of about \$21,000,000. The Bank of England, foreseeing that there would be an accumulation of coin to the credit of the United States which might be taken away bodily in specie, gave notice to the officers of the Treasury Department

of the United States that the power of that institution would be arrayed against the whole proceeding unless we gave a pledge that the coin should not be removed, and that we would reinvest it in the bonds of the United States as they were offered in the markets of London. We were compelled to do it. There are in the nine great banks of Europe only \$600,000,000 in specie. That specie is used as a reserve, and is not loaned out, and with reference to the great transactions that take place between the countries of the continent of Europe and Great Britain, I may say without disparaging the abilities of these institutions, that it is useless for Congress to do anything in that direction.

The other fact, known to all, is that we recovered at Geneva an award against Great Britain of \$15,500,000. When this claim was maturing the bankers and commercial classes of Great Britain had been compelled to go to Geneva, and by diplomatic means, through the State Department here, operating upon the Treasury Department, secured the transfer of securities and thus avoided the transfer of coin. In the presence of these facts, it is to be assumed for a moment that we can go into the market of London and buy gold, with which we can redeem one, two, three, or four million outstanding legal-tender notes."

The objections so clearly and forcibly presented by the late Secretary of the Treasury are insurmountable. The proposition is not worthy of serious consideration.

THE EFFECT OF SPECIE RESUMPTION IN ENGLAND.

What was the result of specie resumption in England; notwithstanding her ample preparation for the event and her abundant treasures of the precious metals? I read from Doubleday's *Financial History of England*:

The currency bill of 1819 (Par. 18) to restore cash payments was passed at the instance of a committee whom were the parliamentary dabbler in political economy, of whom Peel was chairman. Horner, chairman of the bullion committee of 1810, was dead; but in his stead they had Ricardo, a rich Jew statesman, who having at the same time an immense following among the working class, had also contrived to obtain influence by the publication of some books on political economy. Peel was pitched upon for this unfortunate service mainly, because he was a young man of aspiring pretensions and vast wealth.

Let us inquire how England was affected by resumption of specie payments. I quote from Doubleday's *Financial History of England* describing the situation the year after specie payments were resumed:

The distress, ruin, and bankruptcy which now took place were universal, affecting both the great interests of land and trade. In hundreds of cases from the extreme reduction in the price of land, the estates barely sold for £1000 a acre, which paid off the debts incurred by the sale of the land, and made beggars. The nobility and both houses of Parliament were loaded with petitions, detailing scenes of hardship and destitution appalling the extreme.

It was an era of suffering, desolation, and crime, and the whole land was one scene of misery and bankruptcy.

The price of grain went on slowly and progressively falling for a decade, when in 1839 wheat was selling for 10s. a bushel, and in 1850 for 8s. a bushel. Prices were, upon the whole, lower than they had been half a century before, and agricultural distress pervaded the land from end to other.

From the effects of this first decade of destitution and suffering, which the attempt at specie resumption precipitated in 1819, the laboring and struggling classes in England have never recovered. Her industrial classes have been kept always on the verge of want. Panperism and crime have increased, and are connected with appalling rapidity, while wealth is rolling in the masses controlled by a few. We see the number of rich, aristocratic in England, and instead of a land of honest work, it has been metamorphosed into a land of criminals and discontented paupers, lorded over by gigantic moneyed aristocrats. Thirty thousand people own all the land of England, and one hundred and fifty men and women own half.

Ruskin, in one of his late lectures, says:

"Though England is defrauded with spinning-wheels, her people have not clothes; though she is black with digging of fuel, her people die of cold; though she has sold her soul for gain, yet they die of hunger."

Before we take England for illustration let us look further into the statistics.

The Bank of England resumed specie payments in May, 1821, under the act of 1819, (Peel's bill.) One year before specie payments were resumed the Bank of England notes were only depreciated about 2½ per cent. The bank held in its vaults £11,860,000 in gold to redeem a circulation of £20,250,000. Yet with this 50 per cent. of gold to redeem its notes, at a time, too, when there was no speculation in gold as a commodity as at this time, this amount was found insufficient; for in 1825 the bank was drained of its specie. A disastrous panic was the result. This was only stayed by the Bank of England issuing £5,000,000 (equal to \$25,000,000) of bank-notes in excess of its charter allowance. McLeod, in his work on Banking, says:

"Had not this policy been pursued an entire destruction of commercial credits would have been the result."

Our own disastrous panic could doubtless have been averted by the issuing of even one-half of the forty-four million reserve; but I am not discussing that question now.

Again, in England in 1857, after President Jackson had refused to sign the charter for the renewal of the United States Bank, and laws were enacted for cash banking by the States, there was a drain of coin from the vaults of the Bank of England, which caused a panic in England, in which all the great commercial houses in trade with the United States were swept away. The drain of the precious metals was not only felt in England but all over the Continent. In 1838 and 1839 the drain was so aggravated in England, that she was compelled to borrow money from the Bank of France. This alone saved the bank from utter ruin; and it was only the fact that the weak condition of the bank was not known that it was saved at all. The bank averages of bullion for the last four months, ending with 1839, were less than £3,000,000. In this country, in this age of day-light and telegraph and newspaper inquisitions, such a concern would not stand for thirty hours.

HOW PANICS ARE RELIEVED IN ENGLAND.

It seems strange that the contractionists are making war upon the Secretary of the Treasury for issuing a portion of the forty-four million reserve, when the Bank of England has always adopted a similar policy in England in Great Britain.

In the panic of 1857 the Bank of England increased its loans in violation of its charter in a very few days to the amount of \$30,000,000; and during the panic of 1860 to the amount of \$75,000,000. As the Secretary of the Treasury has only initiated in a small way the policy of the Bank of England, it is contemptible in the book economists to denounce him.

The Bank of England, when specie payments were resumed, held in its vaults 50 per cent. of gold to redeem its circulation; and yet, in order to maintain it, the bank was compelled to reduce its circulation in one year £7,000,000, and its discounts to merchants from nine to four million pounds, or over 50 percent. A like contraction of credits in this country would bankrupt half the business men, East as well as West.

If England's trade and industry were paralyzed for two entire decades by this policy after her ample preparation, do the political economists think this country, with no preparation and no adequate gold supply, should imitate England's example now?

A monarchy may crush out the laboring and industrial classes, but a republic dare not and cannot.

The notes of the Bank of France are slightly depreciated, notwithstanding the fact that less than \$600,000,000 of these notes are in circulation, and the other important fact that she has \$900,000,000 of gold coin.

In this country there has never been a time when we had 20 per cent. of gold and silver to circulation. The percentage of specie to circulation in 1859, two years after the disastrous panic of 1857, was less than 15 per cent.; and the percentage of specie to circulation that year exceeded that of any year since 1842.

Since 1859 the legitimate demand for money has almost tripled, and our gold supply has fallen off one hundred and fifty millions. Specie payments are impossible: contraction is ruin.

CONCLUSION.

Let us put aside as unworthy of consideration the threadbare assertion that a wholesome money supply will demoralize the people by encouraging speculation. This argument is based upon the theory that the business men of this country cannot be trusted with their own business.

Currency is credit. This credit Webster defined as the vital air of modern commerce. The West to-day, with untold wealth to be developed, stands pleading for this credit. With this credit confidence will be restored, trade will revive, industry will start again her busy fingers, and the ear of progress roll onward as before. Without it, the solemn proclamation must go forth that we have reached the highest limit of our development.

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